

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

COMPONENT UNIT FINANCIAL STATEMENTS

September 30, 2008

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report . . . . .	1
Management's Discussion and Analysis . . . . .	3
Statement of Net Assets. . . . .	6
Statement of Activities. . . . .	7
Statement of Cash Flows. . . . .	9
Notes to Financial Statements. . . . .	10
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. . . . .	14



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Schoolcraft County Economic  
Development Corporation  
Manistique, Michigan 49854

We have audited the accompanying financial statements of the Schoolcraft County Economic Development Corporation, a component unit of Schoolcraft County, as of and for the year ended September 30, 2008, which collectively comprise the Corporation's basic financial statements as described in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Schoolcraft County Economic Development Corporation and do not purport to, and do not, present fairly the financial position of the County of Schoolcraft, Michigan, as of September 30, 2008, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schoolcraft County Economic Development Corporation, as of September 30, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors  
Schoolcraft County Economic  
Development Corporation

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2008, on our consideration of the Schoolcraft County Economic Development Corporation's internal control over financial reporting and our tests of its' compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Audit Standards and important in assessing the results of our audit.

The management's discussion and analysis on pages three through five is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 17, 2008

## Schoolcraft County Economic Development Corporation

### Management Discussion and Analysis (Unaudited)

This section of the Schoolcraft County Economic Development Corporation's (SCEDC) annual financial report presents our discussion and analysis of the SCEDC's financial performance during the year ended September 30, 2008. Please read it in conjunction with the SCEDC's financial statements.

The following table summarizes the net assets as of September 30, 2008 and 2007:

	2008	2007
ASSETS:		
CURRENT ASSETS:		
Cash - Restricted	\$ 39,312	\$ 38,639
- Unrestricted	17,712	30,347
Accounts Receivable	5,399	3,640
Total Current Assets	62,423	72,626
FIXED ASSETS:		
Office Equipment and Furniture	6,641	6,641
Less: Accumulated Depreciation	(6,641)	(6,641)
Net Fixed Assets	-	-
TOTAL ASSETS	\$ 62,423	\$ 72,626
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts Payable	\$ -	\$ 6,274
Accrued Payroll Taxes & Unemployment	2,578	2,850
Accrued Vacation	1,873	-
Total Current Liabilities	4,451	9,124
NET ASSETS:		
Invested in Capital Assets, net of related debt	-	-
Unrestricted	57,972	63,502
Total Net Assets	57,972	63,502
TOTAL LIABILITIES AND NET ASSETS	\$ 62,423	\$ 72,626

The following table provides comparative revenue and expense information for the fiscal years ended September 30, 2008 and 2007:

	2008	2007
OPERATING REVENUES:		
Federal Sources:		
Rehab Grants - County	\$ 55,781	\$ 123,308
Admin & Project Management	6,758	28,551
State Sources:		
Brownfield	2,455	574
Homelinks	200	400
MSHDA PIP Admin	300	-
Other:		
County Appropriation	10,000	-
City Appropriation	3,100	1,100
Township Appropriations	1,500	500
Program Income	46,009	6,335
Miscellaneous	1,150	306
Total Operating Revenues	127,253	161,074
OPERATING EXPENSES:		
Rehabilitation Expenses	86,343	130,806
Administrative Expenses	46,765	46,687
Total Operating Expenses	133,108	177,493
Operating Loss	(5,855)	(16,419)
NONOPERATING INCOME (EXPENSE):		
Interest Income	325	337
Gain on Sale of Assets	-	-
Total Nonoperating Income (Expense)	325	337
Net Loss	(5,530)	(16,082)
Net Assets, Beginning of Year	63,502	79,584
NET ASSETS, END OF YEAR	\$ 57,972	\$ 63,502

The SCEDC revenues decreased along with expenses due to only one rehab grant being in full operation during FY2008. This was partially offset by the reinstatement of the Schoolcraft County appropriation for \$10,000.

In the future the Corporation plans to continue to administer housing grants under the remaining funding levels. New sources of funding will be pursued to try and diversify the Corporation's revenue base and activities.

This financial report is designed to provide our citizens with a general overview of the SCEDC's finances and to demonstrate accountability for the funds received.

If you have any questions about this report or need additional information, please contact the SCEDC office at the Schoolcraft County Courthouse, Manistique, Michigan, 49854.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF NET ASSETS

September 30, 2008

ASSETS

CURRENT ASSETS:

Cash - Restricted	\$ 39,312
Unrestricted	17,712
Due from state	<u>5,399</u>

TOTAL CURRENT ASSETS	<u>62,423</u>
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FIXED ASSETS:

Office equipment and furniture	6,641
Less accumulated depreciation	<u>(6,641)</u>

NET FIXED ASSETS	<u>-</u>
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TOTAL ASSETS	<u><u>\$ 62,423</u></u>
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LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Accrued payroll taxes	\$ 2,578
Accrued vacation	<u>1,873</u>

TOTAL CURRENT LIABILITIES	<u>4,451</u>
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NET ASSETS:

Unrestricted	<u>57,972</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 62,423</u></u>
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See accompanying notes to financial statements.



SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF ACTIVITIES**

For the year ended September 30, 2008

OPERATING REVENUES:

Federal sources:

Rehabilitation grants - County	\$ 55,781
Administration and project management	6,758

State sources:

Brownfield	2,455
Homelinks	200
MSHDA PIP Admin	300

Other:

County appropriation	10,000
City appropriation	3,100
Township appropriations	1,500
Program Income - County	46,009
Miscellaneous	<u>1,150</u>

TOTAL OPERATING REVENUES	<u>127,253</u>
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OPERATING EXPENSES:

Rehabilitation grants - County	50,205
Rehabilitation using program income - City	8,484
- County	27,654

Administrative expenses:

Salaries and wages	34,071
Payroll taxes	2,679
Advertising	452
Marketing	345
Office supplies	705
Equipment repairs	875
Postage	334
Telecommunications	1,833
Travel & training	970
Insurance	602
Professional services	2,685
Subscriptions and dues	1,016
Miscellaneous	<u>198</u>

TOTAL OPERATING EXPENSES	<u>133,108</u>
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OPERATING LOSS	<u>(5,855)</u>
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See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

For the year ended September 30, 2008

NON-OPERATING INCOME (EXPENSE) :

Interest income	<u>325</u>
NET LOSS	(5,530)
Net assets, beginning of year	<u>63,502</u>
NET ASSETS, END OF YEAR	<u>\$ 57,972</u>

See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the year ended September 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from state and federal grant activities	\$ 63,735
Cash received from other sources	61,759
Cash payments to employees for services	(35,149)
Cash payments to suppliers for goods and services	<u>(102,632)</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(12,287)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>325</u>
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NET DECREASE IN CASH	(11,962)
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Cash and equivalents, beginning of year	<u>68,986</u>
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CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 57,024</u>
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RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES:

Operating loss	(5,855)
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) decrease in receivables	(1,759)
Increase (decrease) in accounts payable	(6,274)
Increase (decrease) in accrued expenses	<u>1,601</u>

NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (12,287)</u>
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See accompanying notes to financial statements.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Economic Development Corporation was incorporated on March 12, 1982 by Schoolcraft County under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purposes of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Schoolcraft County. To fulfill its stated purpose, the Corporation was charged with management responsibilities for distribution and control over certain grant monies.

- (1) Scope of Entity - The accompanying financial statements present information on all of the federal, state and local grants received by the Corporation.
- (2) Component Unit - The Schoolcraft County Economic Development Corporation is a component unit of the County of Schoolcraft.
- (3) Accounting Policies - The accounting policies of the Corporation conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Accounting - Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Corporation maintains its accounting records on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. The Corporation applies all GASB pronouncements as well as the FASB pronouncements issued on or after November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

- (4) Fixed Assets - Fixed assets, consisting of tangible personal property, are valued at cost for assets purchased by the Corporation and at estimated fair market value at date of acquisition for assets acquired by transfer from other entities.
- (5) Depreciation - Depreciation on all exhaustible fixed assets used by the Corporation is charged as an expense against operations and accumulated depreciation is reported on the statement of net assets.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Equipment	15 years
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The cost of normal maintenance and repairs is charged to operations as incurred.

- (6) Restricted Resources - When both general purpose and restricted revenues are available for use it is the Corporation's policy to use restricted resources first.

**SCHOOLCRAFT COUNTY**  
**ECONOMIC DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2008

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (7) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- (8) Advertising - Advertising costs are expensed as incurred. Total advertising and marketing expenses for the fiscal year were \$797.

**NOTE B - CASH AND EQUIVALENTS**

- (1) Cash - Within the Statement of Net Assets and the Statement of Cash Flows all investments that have original maturities of three months or less are reported as cash equivalents. The composition of cash as reported on the balance sheet is presented below:

Cash items:	
Checking - restricted	\$ 39,312
- unrestricted	7,254
Money Market	<u>10,458</u>
TOTAL	<u>\$ 57,024</u>

- (2) Deposits - At year-end, the carrying amount of the Corporation's deposits were \$57,024 and the bank balance was \$63,013. Of the bank balance, \$52,555 is insured by Federal Depository Insurance according to FDIC regulations, and \$10,458 is uninsured and uncollateralized. The uninsured \$10,458 is the Money Market Fund, which is an investment that is not separately rated.

State statutes authorize the Corporation to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or an Agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Banker's acceptance of United States banks.

SCHOOLCRAFT COUNTY  
ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE B - CASH AND EQUIVALENTS (continued)

- f. Obligations of this state or any of its political subdivisions that at the time of purchase are related as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 sat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - i) The purchase of securities on a when-issued or delayed delivery basis.
  - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
  - iii) The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. Investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

All deposits are carried at cost, which approximate market value, and are in accordance with statutory authority.

The Corporation does not have an investment policy that specifically cover investment risks. The Corporation invests it's money in local banks and investment agents in cash and cash equivalents.



**SCHOOLCRAFT COUNTY**  
**ECONOMIC DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2008

**NOTE C - FIXED ASSETS**

A summary of changes in fixed assets is as follows:

	Balance <u>10/01/07</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>9/30/08</u>
Office equipment	\$ 6,641	\$ -	\$ -	\$ 6,641
Accumulated depreciation	<u>(6,641)</u>	<u>-</u>	<u>-</u>	<u>(6,641)</u>
NET FIXED ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE D - NET ASSETS - RESERVED**

Of the \$57,972 of unrestricted net assets the Board has reserved \$3,297 for future unemployment and \$36,015 for future housing projects. The total reservations of \$39,312 is shown as restricted cash in the Statement of Net Assets.

**NOTE E - CONTINGENT LIABILITIES**

The Economic Development Corporation receives significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and is subject to examination by the grantor agency. Any disallowed claims resulting from such examination could become a liability of the Economic Development Corporation. Management is not aware of any such claims as of September 30, 2008.

**NOTE F - RISK MANAGEMENT**

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Settled claims resulting from these risks, if any, have not exceeded commercial insurance coverage in any of the past three fiscal years.



**ANDERSON, TACKMAN & COMPANY, PLC**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors of the Schoolcraft County  
Economic Development Corporation  
Manistique, Michigan 49854

We have audited the component unit financial statements of the Schoolcraft County Economic Development Corporation, as of and for the year ended September 30, 2008, and have issued our report thereon dated December 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance



Board of Directors of the Schoolcraft County  
Economic Development Corporation

with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control. We believe the deficiencies described below to be significant deficiencies in internal control over financial reporting:

The lack of segregation of duties due to limited personnel.

Material audit adjustments were necessary to properly accrue revenue and expenses.

Management was unable to produce financial statements and the required disclosures in accordance with accounting principles generally accepted in the United States of America.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the following significant deficiencies are material weaknesses.

Material audit adjustments were necessary to properly accrue revenue and expenses.

Management was unable to produce financial statements and the required disclosures in accordance with accounting principles generally accepted in the United States of America.

The Corporation's response to the findings identified above are described below. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

At the present time the Corporation does not have adequate funding to hire the staff or to purchase the services necessary to adequately address these findings.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors of the Schoolcraft County  
Economic Development Corporation

We noted certain other matters that we reported to management of the Corporation in a separate letter dated December 17, 2008.

This report is intended solely for the information and use of management, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

December 17, 2008



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
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Kevin C. Pascoe, CPA

**REPORT TO MANAGEMENT**

To the Board of Directors and Management of the  
Schoolcraft County Economic Development Corporation  
Manistique, MI 49854

We have audited the financial statements of the Schoolcraft County Economic Development Corporation (the Corporation) for the year ended September 30, 2008, and have issued our report thereon dated December 17, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated December 10, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Corporation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Corporation's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

(Other Information in Documents Containing Audited Financial Statements)

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on December 16, 2008.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The misstatements detected as a result of audit procedures and corrected by management were material, and involved the proper accrual of revenues and receivables for the year.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 17, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.A.C.*

Certified Public Accountants

December 17, 2008

# **SCHOOLCRAFT COUNTY ECONOMIC DEVELOPMENT CORPORATION**

## **COMMENTS AND RECOMMENDATIONS**

September 30, 2008

### **BOARD OVERSIGHT**

Because of the limited number of staff available at the Corporation it is our feeling that Board oversight over financial activity is of significant importance. We commend the Board for reviewing the disbursement activity each month. We recommend that this review continue, as well as a review of the monthly bank reconciliations and, on a consistent periodic basis, the documentation backing up the disbursement and payroll activity. These steps will help to expand the internal controls and will help to mitigate the lack of personnel for complete segregation of duties.

### **CASH DISBURSEMENTS**

We noted during our audit that the cash drawdowns for ongoing projects were not always expended within thirty days as required by state and federal guidelines. We recommend that management make every possible effort to meet this requirement in the future.

### **GRANT EXPENDITURES**

For grant MSC-2008-0749-HOA there is a requirement that forty percent of the grant was to be expended by the third quarter of the grant term. This benchmark was not attained.

### **PROPERTY LIENS**

Over the years the various requirements of the grants administered by the Corporation have changed. Presently there are, and have been, loans granted that are not forgivable, and are repayable if the home is sold. The Corporation's interest in these homes is recorded as a lien on the property. Presently there is no listing of these liens and their values. We recommend that such a list be developed so that the lien's can be more easily tracked and accounted for.